

ASSEMBLY BILL

No. 41

Introduced by Assembly Member Coto

December 1, 2008

An act to amend Section 926.2 of, and to add Section 926.3 to, the Insurance Code, relating to insurer investments.

LEGISLATIVE COUNSEL'S DIGEST

AB 41, as introduced, Coto. Insurance: community development investments.

Existing law requires insurers to provide information biennially to the Commissioner of Insurance on all its Community Development Investments and Community Development Infrastructure Investments, as defined, in California. The commissioner and the Department of Insurance are required to provide certain information on these investments to the public, as specified. These provisions are to remain in effect only until January 1, 2011, and are repealed as of that date.

This bill would extend the date for repealing those provisions to January 1, 2015, and would state that certain insurers could meet the filing requirements relating to Community Development Investments through a specified filing. This bill would also require certain insurers to develop, and file with the commissioner no later than July 1, 2009, and every 2 years thereafter, a "Community Development Investment" policy that expresses the insurer's goals for Community Development Investments during the following 2-year period. The bill would require the commissioner to establish a link on its Internet Web site providing public access to each insurer's Community Development Investment information, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
2 following:
- 3 (a) In 1996, California policymakers and insurance companies
4 instituted efforts to encourage investments by insurance companies
5 in urban and economically disadvantaged areas through the
6 establishment of the California Organized Investment Network
7 (COIN).
- 8 (b) COIN is the first-in-the-nation collaborative effort among
9 insurance companies, the California Department of Insurance, and
10 other stakeholders involved with community development
11 investments in traditionally underserved communities. The mission
12 of COIN is to provide leadership in increasing the level of
13 insurance industry capital in safe and sound investments providing
14 fair returns to investors and social benefits to underserved
15 communities.
- 16 (c) In 2006, the Legislature and the Governor approved
17 Assembly Bill 925 (Ridley-Thomas) which requires insurers to
18 biennially report their California community development
19 investments to the Department of Insurance (DOI). That legislation
20 also requires COIN to provide insurers with information on why
21 any investments were found not to be qualified by the Insurance
22 Commissioner (commissioner).
- 23 (d) The commissioner is required to biennially provide
24 information on the DOI's Internet Web site on the aggregate
25 community development investments made by insurers. The
26 commissioner is required to identify the insurers that make
27 investments that are innovative, responsive to community needs,
28 not routinely provided by insurers, or have a high degree of positive
29 impact on the economic welfare of low- or moderate-income
30 individuals, families, or communities in urban or rural California.
- 31 (e) California admitted insurers invest an estimated three trillion
32 dollars in various investments. Of this sum, an estimated eight
33 billion dollars have been invested in community development
34 efforts during the period 1997 to 2004, inclusive.

1 (f) In the business sector, as in government, the adoption of a
2 policy by the governing board generates momentum in the
3 organization to strive to achieve the policy. This is especially true
4 when the policy is combined with a goal and identifies the persons
5 responsible for achieving the goal.

6 (g) A 2007 survey by the DOI found that 54 of 485 responding
7 insurers have adopted a policy regarding community development
8 investments. Of these insurers, three reported that they have
9 adopted comprehensive community development investment
10 policies and eight insurers have set specific goals for community
11 development investments. These insurers have significantly
12 increased their community development investments.

13 (h) In light of the minor progress made to date without the
14 adoption of a company policy, and in recognition that insurers that
15 adopted a policy have made significant progress in increasing the
16 amount of community development investments, it is the purpose
17 of this act to encourage insurers to significantly increase the
18 number and amount of their community development investments
19 by requiring the adoption of a company policy.

20 SEC. 2. Section 926.2 of the Insurance Code is amended to
21 read:

22 926.2. (a) (1) Each insurer admitted in California shall provide
23 information biennially to the commissioner on all of its Community
24 Development Investments and Community Development
25 Infrastructure Investments in California. This information shall be
26 provided as part of the required filing pursuant to Section 900 or
27 Section 11131, or through a data call, or by other means as
28 determined by the commissioner. COIN shall provide insurers
29 with information on why investments, if any, were found not to
30 be qualified by the commissioner.

31 (2) *Nothing in this subdivision shall preclude an insurer that is*
32 *a member of an insurance holding company system as defined in*
33 *Article 4.7 (commencing with Section 1215) of Chapter 2, from*
34 *complying with paragraph (1) through a single filing on behalf of*
35 *the entire group of affiliated companies, provided that the data so*
36 *filed accurately reflects the investments made by each of the*
37 *affiliates, and accurately attributes, by National Association of*
38 *Insurance Commissioners (NAIC) number or other identifier*
39 *required by the commissioner, which of the investments were made*
40 *by each affiliated company.*

1 (3) *Nothing in this subdivision shall preclude an insurer from*
2 *satisfying the requirements of paragraph (1) through a filing made*
3 *by a Community Development Financial Institution, provided all*
4 *of the following conditions are met:*

5 (A) *The insurer has no less than a 10 percent ownership interest*
6 *in a COIN-certified Community Development Financial Institution.*

7 (B) *The insurer makes Community Development Investments in*
8 *and through the Community Development Financial Institution.*

9 (C) *The Community Development Financial Institution*
10 *accurately files the information required by paragraph (1) with*
11 *the commissioner on behalf of the insurer and accurately attributes,*
12 *by NAIC number or other identifier required by the commissioner,*
13 *which investments, including the dollar amounts of the investments,*
14 *were made by each insurer on whose behalf the Community*
15 *Development Financial Institution is reporting.*

16 (b) The commissioner shall biennially provide information on
17 the department's Internet Web site on the aggregate insurer
18 Community Development Investments and Community
19 Development Infrastructure Investments. Insurers that make
20 investments that are innovative, responsive to community needs,
21 not routinely provided by insurers, or have a high degree of positive
22 impact on the economic welfare of ~~low-income~~ low- or
23 moderate-income individuals, families, or communities in urban
24 or rural California shall be identified.

25 (c) The department shall also biennially provide information
26 on the department's Internet Web site regarding the aggregate
27 amount of California public debt (including all debt issued by the
28 State of California or a California ~~State~~ state or local government
29 agency) purchased by insurers as reported to the department in
30 their ~~National Association of Insurance Commissioners (NAIC)~~
31 NAIC annual statement filing pursuant to Section 900 or Section
32 11131.

33 (d) The department shall also biennially provide on its Internet
34 Web site the aggregate amount of identified California investments,
35 as reported to the NAIC in the annual statement filed pursuant to
36 Section 900 or Section 11131.

37 (e) The first report under this article shall be filed with the
38 commissioner by May 31, 2007.

39 (f) Insurers that did not comply with the voluntary community
40 investment data call issued by the commissioner in May 2005 shall

1 provide the information requested therein to the commissioner on
2 or before February 28, 2007.

3 (g) This article shall remain in effect only until January 1, 2011
4 2015, and as of that date is repealed, unless a later enacted statute,
5 that is enacted before January 1, 2011 2015, deletes or extends
6 that date.

7 ~~(h) Nothing in this article shall limit the authority of the~~
8 ~~commissioner to ask for data concerning community development~~
9 ~~investments on a voluntary basis on or after January 1, 2010, if~~
10 ~~this article is not extended.~~

11 SEC. 3. Section 926.3 is added to the Insurance Code, to read:

12 926.3. (a) It is the policy of the State of California that (1)
13 insurers should, where practicable, be supportive of Community
14 Development Investments, and insurers should be encouraged to
15 invest in prudent community development investments that benefit
16 California and California's low- and moderate-income
17 communities; (2) every admitted insurer that writes a substantial
18 amount of insurance in the state should consider Community
19 Development Investments; and (3) the California Organized
20 Investment Network is a part of the department, and has the
21 responsibility to pursue active measures to encourage community
22 development investing by admitted insurers.

23 (b) Each insurer admitted in California that writes premiums in
24 California equal to or in excess of one hundred million dollars
25 (\$100,000,000) annually shall develop, and file with the
26 commissioner no later than July 1, 2009, and every two years
27 thereafter, a "Community Development Investment" policy that
28 expresses the insurer's goals for Community Development
29 Investments during the current and following calendar year. These
30 filings shall be public information. However, the initial policy
31 statement filed with the commissioner will satisfy the requirement
32 of this subdivision if the insurer's policy has not changed and the
33 insurer informs the commissioner of that fact at least once every
34 two years. For purposes of this subdivision, "policy" means a
35 statement of principle intended to influence a decision or action.

36 (c) The commissioner shall establish a link on its Internet Web
37 site that provides access to the public of the contents of each insurer
38 policy statement and the data on Community Development
39 Investments made by each insurer pursuant to subdivision (b).

1 SEC. 4. Nothing in Article 10.1 (commencing with Section
2 926.1) of Chapter 1 of Part 2 of Division 1 of the Insurance Code
3 shall limit the authority of the Insurance Commissioner to ask for
4 data concerning Community Development Investments on a
5 voluntary basis on or after January 1, 2015, if that article is not
6 extended beyond that date.

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